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CANADIAN GOVERNMENT MOUNTS EFFORT TO SELL CANADAIR, DEHAVILLAND

Canadian government last week announced plans to sell most of the enterprises controlled by the Canada Development Investment Corp. (CDIC), which include aircraft manufacturers Canadair and de Havilland Aircraft. Sinclair Stevens, industry minister in the country's new Conservative government, also announced that Joel Bell, who had been president and chief executive officer of CDIC, has been replaced by Paul Marshall, a businessman from Calgary, Alberta who is president and CEO of Westmin Resources Ltd. *(See related item on Page 149).*

A spokesman for Stevens said the preferred method of divestiture would be for one buyer to acquire the entire package of CDIC holdings. If that is not possible, the government would consider disposing of individual companies. In addition to the two aircraft manufacturers, CDIC owns or manages: Eldorado Nuclear, a uranium mining company; Teleglobe, an international telecommunications firm; Canada Development Corp., a holding company; and, some preferred shares in Massey-Ferguson Ltd., a farm equipment manufacturer.

In announcing the proposed sale, Stevens and other officials emphasized that they want to retain a viable airframe manufacturing industry in Canada and that any sale would be structured to insure the ability of the two companies to maintain their commitments to customers and suppliers.

Government Absorbed Canadair Losses

It was unclear last week what steps the government might take to encourage interest in the CDIC holdings, particularly the two aircraft concerns. Of the two, Canadair would appear to be in the most favorable shape for a takeover. While the company incurred enormous losses in development of the Challenger business jet line, the Liberal government put Canadair's finances in the black this year when it agreed to absorb some $1.35 billion in company debt *(BA, March 19/89)*. In addition to its business jet production, Canadair also manufactures the CL-215 water bomber and also does extensive subcontract work for other manufacturers. It posted a profit of just under $1 million for the first half of 1984.

G.S. (Gil) Bennett, president and CEO of Canadair, said last week that the financial restructuring "re-established the company as a self-sufficient, viable business organization ..." adding that "the company's existing product lines are profitable and the prospects for our development projects are bright."

De Havilland's business is primarily in the commuter/regional airline market and it does not have the advantage of significant subcontracts with other firms. The company posted losses of $265.1 million and $236.4 million (Canadian) respectively for the two most recent fiscal years. In addition, CDIC officials indicated earlier this year that the company would require additional government funding over the next several years *(BA, April 16/122)*. It is conceivable that as a condition of sale the government would agree to absorb de Havilland's losses for the past two years, similar to the arrangement provided for Canadair.

Decision To Sell Not Surprising

While the timing of last week's announcement is somewhat sooner than expected--coming less than two months after the Conservatives' landslide election victory--the decision itself is not surprising. The Canadian government acquired de Havilland in 1974 from Hawker Siddeley and Canadair in 1976 from General Dy-

(Continued on the following page)

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ISRAEL AIRCRAFT INDUSTRIES INTERNATIONAL has named three persons to new positions with the company: Itzchak Eyal, vice president-marketing; Yoseph Ravon, vice president-finance; and, Joseph Bica, vice president-technical services. Appointments were announced by Asher Bar Nir, president of IAI International, which is a subsidiary of Israel Aircraft Industries Ltd., Ben Gurion Airport, Israel.

* * *

E-SYSTEMS INC., Dallas, Tex., will host the Army Aviation Association of America's Second Annual Aircraft Survivability Equipment Symposium this week. Meeting will be held this Wednesday and Thursday (Nov. 7-8) at the Garland (Texas) Division of E-Systems and will feature discussions of new developments in active jamming and decoying equipment. Top level military and civilian officials are scheduled to participate.

* * *

HELICOPTER ASSOCIATION INTERNATIONAL is sponsoring a one-day government procurement seminar at HAI headquarters in Washington during the first week of December. Seminar will focus solely on the civil helicopter industry and will feature speakers from both the private sector and government. Cost to attend is $100. For more information, contact HAI at (202) 466-2420.

* * *

BENDIX GENERAL AVIATION AVIONICS DIVISION said Cessna Aircraft will offer the Bendix Series III integrated EFIS, comm/nav and radar systems as a factory approved option on Citation S/II and Citation III business jets. Bendix also said the same package will be available through Citation service centers as a retrofit installation on Citation 500 aircraft through S/N 274.

* * *

AMERICAN AEROSPACE INDUSTRIES INC. said 40 U.S. companies have booked a total of 13,000 square feet of space in the joint exhibit organized by AAI Inc. at the 1985 Paris Air Show, resulting in a sellout of available space. The company said it is now negotiating for additional space to accommodate other firms wishing to participate in the show. AAI joint exhibit will be located in International Hall 2. For more information, contact AAI at (914) 698-9385; Telex 996593.

* * *

DELIVERY OF THE LAST THREE-ENGINE TRISLANDER aircraft built by Pilatus Britten-Norman was recently made to the Botswana Defense Force. About 80 of the 17-passenger Trislanders were built before the manufacturer decided to concentrate on the piston-and turboprop-powered twin-engine models. More than 1,040 Islanders and Trislanders have been delivered since production began.

* * *

BEECH AEROSPACE SERVICES INC., a Beech aircraft subsidiary, said it was the successful bidder for a competitive contract from the U.S. Army for support of target missile flight operations. Contract, which has a potential net worth of over $4 million, covers operations at the White Sands and Ore Grande Missile Range complexes in New Mexico and the Fort Bliss complex in Texas for the next three years. Beech said that although certain operations dealing with missile targets have been contracted out previously, the BASI contract marks the first time that the U.S. Army Missile Command has competitively solicited total support for the full target missile operation.

* * *

AIRPORT AND AIRWAY TRUST FUND had a balance of $6.3 billion at the end of August, according to the latest Treasury Department report *(see chart on the back of this page)*. For the first 11 months of fiscal 1984, the government had collected over $2.8 billion in aviation user taxes and spent $1.2 billion from the trust fund for aviation-related projects.

* * *

TASK GROUP 3-1 of the FAA National Airspace Review Advisory Committee will hold a meeting to review the reorganized prototype of the Airman's Information Manual. Considerations will be made for content changes, additions or deletions. Content of materials to be included in an expanded section on aviation weather will be emphasized. Beginning Nov. 13, at 11 a.m., the meeting will be held at the FAA conference room 7A/B, 800 Independence Ave., SW, Washington, D.C. For more information call 426-3560.

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AIRPORT AND AIRWAY TRUST
Status as of August 31, 1984

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	6,149,057,594.81	4,787,453,189.49
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund) :		
Any liquid fuel except gas	9,875,000.00	63,636,689.00
Tires used on aircraft	0.00	275,000.00
Tubes used on aircraft	0.00	31,000.00
Gasoline		
1. Commercial 9 cents tax	217,000.00	2,467,000.00
2. Non-commercial 9 cents tax	-378,000.00	21,721,794.00
3. Non-commercial 3 cents tax	-127,000.00	7,692,598.00
4. Transp by air,seats,berths,etc.	245,235,000.00	1,977,910,379.00
Use of international trav fac	9,545,000.00	72,213,527.00
Transp of property and cargo	16,504,000.00	119,147,418.00
Total Tax Receipts	280,871,000.00	2,265,095,405.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	3,450.00	471,539.00
2. Any liquid fuel except gas	120,630.00	738,047.00
3. Gasoline -Retailer's tax	0.00	581,703.00
Total Reimburse for Tax Refunds	124,080.00	-1,791,289.00
Net Tax Receipts	280,746,920.00	2,263,304,116.00
C. Interest on Investments	1,113,986.44	543,323,552.93
Net Receipts	281,860,906.44	2,806,627,668.93
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	-135.00	256,676,236.90
2. Grants-in-aid for airports	62,667,168.96	613,187,206.87
3. Facilities & equipment	23,469,213.36	238,842,175.26
4. Research engineering & development	10,758,784.97	130,804,990.36
B. NOAA weather services	-439.07	20,250,000.00
C. Interest on Refund of Taxes	280.00	296,621.00
Total Expenditures	96,894,873.22	1,260,057,230.39
IV. BALANCE - END OF PERIOD	6,334,023,628.03	6,334,023,628.03

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
Undisbursed Balances:		
Airport & Airway Trust Fund	758.38	
Operations	3,763.10	
Grants-in-aid for Airports	17,541,193.47	
Facilities & Equipment	2,539,079.08	
Research Engineering & Development	501,834.00	
NOAA weather services	0.00	
		20,586,628.03
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS :		
11-1/8% Maturing June 30, 1985	6,257,893,000.00	
11 % Maturing June 30, 1985	55,544,000.00	6,313,437,000.00
Total Assets		6,334,023,628.03
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		6,334,023,628.03
Total Liabilities and Equity		6,334,023,628.03

Treasury Department Chart